

Strategies for Welfare Reform

By Robert Rector

INTRODUCTION

The United States welfare system has failed. Both the public and decision makers increasingly recognize that the current welfare system has harmed rather than helped the poor. Welfare has undermined the American family and promoted long-term dependency.

In the states, however, we see welfare reforms designed to reverse these patterns. These reforms focus on three themes: requiring responsible behavior from welfare recipients as a condition of receiving benefits; requiring some able-bodied welfare recipients to work in exchange for the benefits they receive; and finally, altering the welfare incentive structure by reducing the current rewards for non-work and single parenthood and increasing the relative rewards for work and marriage.

TWO TYPES OF POVERTY

The welfare system is intended to address the problem of poverty in the U.S. But welfare policy must begin with an understanding of two separate concepts of poverty: "material poverty" and "behavioral poverty." Material poverty means, in the simplest sense, having a family income below the official poverty income threshold, which was \$12,675 for a family of four in 1991. To the average man on the street, to say someone is poor implies that he or she is malnourished, inadequately clothed, and lives in inadequate housing.

In reality there is little material poverty in the U.S. in this sense generally understood by the public.¹ Today the fifth of the population with the lowest incomes has a level of economic consumption higher than that of the median American family in 1955.² There is little or no poverty-induced malnutrition in the U.S. Persons defined by the U.S. government as "poor" have almost the same average level of consumption of protein, vitamins, and other nutrients as persons in the upper middle class.³ Children living in "poverty" today, far from being malnourished, actually grow up to be one inch taller and 10 pounds heavier than the average

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- 1 Robert Rector, "How the Poor Really Live: Lessons for Welfare Reform," Heritage Foundation *Backgrounder* No. 875, January 31, 1992.
 - 2 Robert Rector, Kate Walsh O'Beirne, and Michael J. McLaughlin, "How Poor Are America's Poor?" Heritage Foundation *Backgrounder* No. 791, September 21, 1990, p. 2.
 - 3 Robert Rector, "Food Fight: How Hungry Are America's Children?" *Policy Review*, Fall 1991, pp. 38-43.
Robert Rector, "Hunger and Malnutrition Among American Children," Heritage Foundation *Backgrounder* No. 843, August 2, 1991.

child of the same age in the general population in the late 1950s.⁴ The principal nutrition-related problem facing poor persons in the U.S. today is obesity, not "hunger"; the poor are more likely to be obese than are other persons in the U.S.

Similarly, a "poor" American has more housing space and is less likely to be overcrowded than is the average citizen in Western Europe.⁵ Nearly all of the American poor live in decent housing that is well-maintained. In fact, nearly 40 percent of the households defined as "poor" by the U.S. government actually own their own homes.

"Behavioral poverty," by contrast, refers to a breakdown in the values and conduct which lead to the formation of healthy families, stable personalities, and self-sufficiency. Behavioral poverty is a cluster of social pathologies including: eroded work ethic and dependency, lack of educational aspiration and achievement, inability or unwillingness to control one's children, increased single parenthood and illegitimacy, criminal activity, and drug and alcohol abuse. While there may be little material poverty in the United States, behavioral poverty is abundant and growing.

COMPETING APPROACHES TO WELFARE

There are three distinct approaches to dealing with the inter-related problems of material poverty and behavioral poverty.

- 1) **The first approach**, which could be called "liberal," maintains that decreasing material poverty leads to decreasing behavioral poverty. Thus raising the incomes of the poor through cash, food aid, and housing assistance will cause an increase in emotional stability, educational success, and so forth.
- 2) **The second approach**, which could be called "redistributionist," posits no clear link between raising incomes and reducing behavioral problems. This theory promotes welfare expansion to raise the incomes of the less affluent for its own sake. While this approach focuses initially on dealing with vital needs such as eliminating malnutrition, its aims are open-ended. Thus although welfare spending is already more than twice the amount needed to eliminate all poverty in the U.S., demands for more spending are as vociferous as ever. Many advocates of this position believe strongly that income redistribution is a positive goal in and of itself, and seek to use welfare policy as a means of attaining that goal. The more income redistributed the better.
- 3) **The third approach** might be termed "conservative." It rests on the belief that spending on most welfare programs actually has increased behavioral poverty. In particular, welfare has led to an increase in prolonged dependency and has undermined family structure, thereby contributing to increases in other dysfunctional behaviors.

The assumptions behind the first, or liberal, approach to welfare policy are decisively refuted by historical experience. Throughout most of the twentieth century the incomes of Americans of

4 Bernard D. Karpinos, *Height and Weight of Military Youths* (Medical Statistics Division, Office of the Surgeon General, Department of the Army, 1960), pp. 336-351. Information on the current height and weight of youths provided by the National Center for Health Statistics of the U.S. Department of Health and Human Services based on the National Health and Nutrition Examination Survey.

5 Rector, "How the Poor Really Live," pp. 12-13.

all social classes have increased dramatically. As noted, after adjusting for inflation, the per capita economic consumption of the least affluent 20 percent of households today exceeds the per capita income of the median income U.S. family in 1955. In 1950, some 32 percent of Americans were "poor," having incomes below today's poverty income thresholds adjusted for inflation—in 1990, 13.5 percent of the population was poor. Going back further in time, we find that in the late 1920s the median income of American households was \$1,606 (or \$11,000 in 1990 dollars); in that year half of the population was probably poor by today's standards.⁶ According to the axioms of liberal welfare policy, as incomes in all social classes rose dramatically throughout the century, we should have seen increases in cognitive ability, increases in emotional stability, increases in marital stability, and decreases in crime.⁷ Instead we have seen the opposite.

The fact is that most people alive today had at least one parent or grandparent who was "poor" by the current government definition adjusted for inflation. But most of these individuals were not poor in the sense understood by the general public because, although their incomes were low, their values, disciplines, and behavior were middle class—as were the values they passed on to their children. Merely raising someone's income does not inculcate middle class values and behavior; in fact, most welfare programs do exactly the opposite.⁸

THE KEY WELFARE PROBLEM

Following the liberal and redistributionist approaches to welfare, the present welfare system is designed almost exclusively to raise the material living standards of less affluent Americans. The federal government provides cash, food, housing and medical assistance, and other benefits through 75 separate welfare programs. Total federal, state, and local welfare spending reached \$225 billion in 1990, excluding all middle class entitlement programs such as Social Security and Medicare. This figure was more than twice the amount needed to raise the income of every American above the current poverty income thresholds.

But for the general public the real problem with welfare is not merely the rapidly expanding cost, which now absorbs over 4 percent of the entire national economy—but the sense that welfare actually harms rather than helps the poor.

6 In the late 1920s an average size household with an income at the national median would have had an income below today's poverty threshold measured in constant dollars.

7 In one limited respect, higher income did lead to an increase in the average number of years of school attendance throughout the century. In earlier periods, many young people left school to obtain employment and help support their families. Thus in the past we could expect that an increase in family income would increase average number of years of schooling attained by a child. However, at the present time, leaving school to obtain employment to support one's family is scarcely a major cause of the school dropout problem.

8 The belief that raising incomes reduces behavioral poverty is not grounded in historical reality but is instead based on superficial and misleading statistical analyses. In many studies "family income" is correlated or regressed against behavioral variables; the analysis then shows that school failure, for example, is more likely among children in families with average incomes of \$15,000 than in families with incomes of \$25,000 of similar family type and educational standing. The study then concludes that if we give the lower income families an extra \$10,000 in income we can expect the average school performance of the lower income children to increase to the same level as that of the higher income children. This is spurious reasoning. Income correlates closely with other psychological variables such as parents' family background, self control, motivation, and cognitive and interpersonal skills. These psychological variables generally will not be quantified and included in the regression analysis, but it is these non-measured psychological variables which cause the higher average school performance or higher behavioral stability among children in higher income families, not the bigger monthly paycheck.

The key dilemma of the welfare state is that the prolific spending intended to alleviate material poverty has led to a dramatic increase in "behavioral poverty." The War on Poverty may have raised the material standard of living of some Americans, but at a cost of creating whole communities where traditional two-parent families have vanished, work is rare or non-existent, and multiple generations have grown up dependent on government transfers.

HOW WELFARE UNDERMINES WORK AND MARRIAGE

Current welfare may best be conceptualized as a system which offers each single mother a "paycheck" worth an average of between \$8,500 and \$15,000, depending on the state.⁹ The mother has a contract with the government: She will continue to receive her "paycheck" as long as she fulfills two conditions:

- 1) she must not work; and
- 2) she must not marry an employed male.¹⁰

The current welfare system has made marriage economically irrational for most low-income parents. Welfare has converted the low-income working husband from a necessary breadwinner into a net financial handicap. It has transformed marriage from a legal institution designed to protect and nurture children into an institution which financially penalizes nearly all low-income parents who enter into it.

Across the nation, the current welfare system has all but destroyed family structure in the inner city. Welfare establishes strong financial disincentives, effectively blocking the formation of intact, two-parent families. Example: Suppose a young man in the inner city has fathered a child out of wedlock with his girlfriend. If this young father abandons his responsibilities to the mother and child, government will step in and support the mother and child with welfare. If the mother has a second child out of wedlock, as is common, average combined benefits will reach around \$13,000 per year.

If, on the other hand, the young man does what society believes is morally correct (i.e., marries the mother and takes a job to support the family), government policy takes the opposite course. Welfare benefits would be almost completely eliminated. If the young father makes more than \$4.50 per hour, the federal government actually begins taking away his income through taxes. The federal welfare reform act of 1988 will permit the young father to marry the mother and join the family to receive welfare, but only as long as he does not work.¹¹ Once he takes a

9 This sum equals the value of welfare benefits from different programs for the average mother on AFDC.

10 Technically the mother may be married to a husband who works part-time at very low wages and still be eligible for some aid under the AFDC-UP program. However, if the husband works a significant number of hours per month even at a low hourly rate, his earnings will be sufficient to eliminate the family's eligibility to AFDC-UP and most other welfare.

11 The 1988 federal welfare law required all states to establish an AFDC-UP program by October 1, 1990. Prior to passage of the 1988 welfare law, 23 states did not have an AFDC-UP program and those states were allowed to limit AFDC-UP cash benefits to six months, but were required to continue to provide Medicaid as long as the family was otherwise eligible for AFDC. The 1988 law allowed states to require full-time participation by one parent in Job Opportunities and Basic Skills (JOBS) program, while mandating that the states require one parent to spend at least 16 hours per week in work activity. States must enroll at least 40 percent of their AFDC-UP caseload in work programs by fiscal 1994 and up to 75 percent by fiscal 1997 and 1998. Both the

full-time job to support his family, the welfare benefits are quickly eliminated and the father's earnings are subject to taxation.

The onset of the War on Poverty directly coincided with the disintegration of the low-income family—and the black family in particular. At the outset of World War II, the black illegitimate birth rate was slightly less than 19 percent. Between 1955 and 1965 it rose slowly, from 22 percent in 1955 to 28 percent in 1965. Beginning in the late 1960s, however, the relatively slow growth in black illegitimate births skyrocketed—reaching 49 percent in 1975 and 65 percent in 1989. If current trends continue, the black illegitimate birth rate will reach 75 percent in ten years.¹²

Generous welfare benefits to single mothers directly contributed to the rise in illegitimate births. Recent research by Shelley Lundberg and Robert D. Plotnick of the University of Washington shows that an increase of roughly \$200 per month in welfare benefits per family causes the teenage illegitimate birth rate in a state to increase by 150 percent.¹³ Similarly, high benefits discourage single mothers from remarrying. Research by Dr. Robert Hutchens of Cornell University shows that a 10 percent increase in AFDC benefits in a state will cause a decrease in the marriage rate of all single mothers in the state by 8 percent. Welfare programs discourage young men and women from marrying and promote the disintegration of existing two-parent families.

Penalizing Work. For the poor, another devastating legacy of the past 25 years has been the dramatic reduction in work effort. For a growing number of poor Americans, the existence of generous welfare programs makes not working a reasonable alternative to long-term employment. During the late 1960s and early 1970s, social scientists at the Office of Economic Opportunity (OEO) conducted a series of controlled experiments to examine the effect of welfare benefits on work effort. The longest running and most comprehensive of these experiments was conducted between 1971 and 1978 in Seattle and Denver, and became known as the Seattle/Denver Income Maintenance Experiment, or "SIME/DIME."

Advocates of expanding welfare had hoped that SIME/DIME and similar experiments conducted in other cities would prove that generous welfare benefits did not adversely affect work effort. Instead, the SIME/DIME experiment found that every \$1.00 of extra welfare given to low-income persons reduced labor and earnings by \$0.80.¹⁴ The results of the SIME/DIME study are directly applicable to existing welfare programs: Nearly all have strong anti-work effect like those demonstrated in the SIME/DIME experiment.

The effects of welfare in undermining the work ethic are readily apparent. In the mid-1950s nearly one-third of poor households were headed by an adult who worked full time throughout the year. Today, with greater welfare benefits available, only 16.4 percent of poor families are headed by a full-time working adult.

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- requirement for AFDC-Up coverage and the work requirement end September 30, 1998.
- 12 U.S. Department of Health and Human Services, National Center for Health Statistics. Note: The black illegitimate birth rate is available only from 1969 on. The pre-1969 black illegitimate birth rates were calculated using the very similar "Non-White" rate.
 - 13 Shelley Lundberg and Robert D. Plotnick, "Adolescent Premarital Childbearing: Do Opportunity Costs Matter?" June 1990, a revised version of a paper presented at the May 1990 Population Association of America Conference in Toronto, Canada.
 - 14 Gregory B. Christiansen and Walter E. Williams, "Welfare Family Cohesiveness and Out of Wedlock Births," in Joseph Peden and Fred Glahe, *The American Family and the State* (San Francisco: Pacific Institute for Public Policy Research, 1986), p. 398.

Inter-Generational Dependence. Of the over 4 million families currently receiving assistance through Aid to Families with Dependent Children (AFDC), well over half will remain dependent for over ten years, many for fifteen years or longer.¹⁵ Dependency on welfare also appears to spread from one generation to another. Children raised in families that receive welfare assistance are themselves three times more likely to be on welfare than other children when they become adults.¹⁶ This inter-generational dependency is a clear indication that the welfare system is failing in its goal to lift the poor from poverty to self-sufficiency.

Effects of Family Disintegration. The collapse of family structure has crippling effects on the health, emotional stability, educational achievements, and life prospects of low-income children. Children raised in single-parent families, when compared to those in intact families, are one-third more likely to exhibit behavioral problems such as hyperactivity, antisocial behavior, and anxiety. Children deprived of a two-parent home are two to three times more likely to need psychiatric care than those in two-parent families.¹⁷ And they are more likely to commit suicide as teenagers. Absence of a father increases the probability that a child will use drugs and engage in criminal activity.¹⁸

Because the father plays a key role in a child's cognitive development, children in single-parent families have lower IQs and score less well on other tests of aptitude and achievement.¹⁹ Children in single-parent families are three times as likely to fail and repeat a year in grade school as are children in two-parent families. In all respects, the differences between children raised in single-parent homes and those raised in intact homes are profound, and such differences persist even if single-parent homes are compared with two-parent homes of exactly the same income level and educational standing.²⁰

But the greatest tragedy is that family instability and its attendant problems are passed on to future generations. Children from single-parent homes are far less likely to establish a stable married life when they in turn become adults. White women raised in single-parent families are 164 percent more likely to bear children out of wedlock themselves; they are 111 percent more likely to have children as teenagers. If these women do marry, their marriages are 92 percent more likely to end in divorce than are the marriages of women raised in two-parent families. Similar trends are found among black women.²¹

GROPING FOR A SOLUTION

By nature, Americans believe that all problems have solutions. Therefore, American politicians and the public have difficulty believing that there are no easy solutions to the

15 David Elwood, *Targeting "Would-be" Long-term Recipients of AFDC* (Washington, D.C.: U.S. Department of Health and Human Services, January 1986), p. 5.

16 M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants* (New York: City University of New York, Baruch College, March 1990).

17 Dr. Deborah A. Dawson, "Family Structure and Children's Health and Well-being: Data From the 1988 National Health Interview Survey on Child Health," paper presented at the Annual Meeting of the Population Association of America, Toronto, May 1990, Table 5.

18 Nicholas Davidson, "The Daddy Dearth," *Policy Review*, Winter 1990, p. 43.

19 Marybeth Shinn, "Father Absence and Children's Cognitive Development," *Psychological Bulletin*, Vol. 85, No. 2 (1978), pp. 295-324.

20 Dawson, *op. cit.*; Davidson, *op. cit.*

21 Irwin Garfinkel and Sara S. McLanahan, *Single Mothers and Their Children: A New American Dilemma* (Washington, D.C.: The Urban Institute Press, 1986), p. 31.

